THE ATTITUDE AND BEHAVIOR OF THE RETAIL INVESTORS IN CAPITAL MARKET- A CASE STUDY WITH REFERENCE TO MANGALORE CITY CORPORATION AREA

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INTRODUCTION

Indian capital markets have over the last couple of decades advanced from a relatively slumber to a rapidly evolving and active market. This change has been aided by the rapid changes in the economy and the advancement in technology. Advanced technology has facilitated the modernization of the Indian securities market especially the secondary market. Today there are 22 stock exchanges in India, the first being the Bombay Stock Exchange (BSE), which began formal trading in 1875, making it one of the oldest in Asia. In terms of the number of companies listed and total market capitalization, the Indian equity market is considered large relative to the country's stage of economic development. The two major exchanges of India are the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Concurrently investor interest in Indian financial market too has grown manifold, attracting many new investors which lead to a more wide spread capital market. As the market became more inclusive it brought with the need to understand, educate and protect the interests of the large number of small individual investors who could be and are influenced by unscrupulous operators. Thus the opening up of the economy was duly followed by some of the biggest securities scams witnessed in the country. One underlying truth about all these scam was that while it did affect institutional investors who it could be argued were often willing participants but the brunt of the aftershocks was felt by the gullible lay investors. The need to identify the investment behavior of these individual investors assumes urgency as the Indian Financial system has been slowly integrating itself to the international markets. This was so much in evidence as the recent sub-prime lead financial crisis unraveled Indian markets were also affected although many argue that the effects on India were milder as it is still to fully integrate with the international system.

The prevalent theory in traditional finance and economics which explains investor behaviour is Efficient Market Hypothesis (EMH). EMH stipulates that stock prices move in accordance with the change in valuation and there is a unique price at each given moment that represents the value. Since a large number of participating traders are aware of this value, and eager to exploit any deviations from it, these deviations are not only temporary, but also random. If the deviations were biased in a particular way, the knowledgeable traders, argue

the EMH theorists, would be aware of the bias and seek to exploit it, thereby eliminating it. The existence of systematic patterns in prices thus argues against the underlying assumptions of EMH.

In recent years, a new set of ideas, known as Behavioral Finance (BF), is proposed as an alternative to EMH by stipulating that systematic biases exist in market dynamics. One aspect of this is that individual investors as well as experts are subject to the behavioral biases. Behavioral finance is a relatively new field which draws upon theories of Psychology and social sciences to explain investor behaviour. Advocates of behavioral finance believe that investors are not rational and are influenced by the information structure as well as their own unique personal characteristics. The aversion of the traditional approach to understand and explain the decision processes of investors was the main reason to trigger the emergence of behavioral finance as an approach which tries to identify and understand the meaning of psychological decision processes for financial markets (Ricciardi and Simon, 2000). Even if portfolio managers were not subject to these biases, they often do not have the latitude to reduce their exposure to stocks, or even a particular sector. For example, a manager may believe that almost all of the technology stocks are overvalued at a particular time. However, his fund prospectus may require that at least 95% of the assets be invested and that it be sector neutral (so that the percentage of technology stocks in his portfolio must match that of the index). The decision to buy the mutual fund itself is made by a less informed individual, but the manager can only mitigate that decision by an insignificant amount. To aggravate matters, any rise in the overvalued sector automatically increases their percentage ratio in the index, thereby forcing the manager to buy even more of the stocks that he believed to be overvalued. Of course, EMH theorists would say that while a particular set of managers may be in this situation, there will be a large amount of capital, for example in hedge funds, that will take advantage of this by using short selling.

Behaviour finance is based on two fundamental blocks namely the “limit to arbitrage” and investor’s cognitive psychology. Limit to arbitrage is based on the fact that while financial assets are often mispriced it is not always possible to make abnormal profits off this mispricing. These mispricings are of two types: those that are recurrent or arbitrageable, and those that are nonrepeating and long-term in nature. For the recurrent mispricings, trading strategies can reliably make money. Because of this, hedge funds and others zero in on these, and keep them from ever getting too big. Thus, the market is pretty efficient for these assets, at least on a relative basis. For the long-term, nonrepeating mispricings, it is impossible in

real time to identify the peaks and troughs until they have passed, getting in too early risks losses that wipe out capital. The inefficiencies often get exuberated due to transaction and implementation costs.

On the other hand the other fundamental block of Behaviour Finance cognitive psychology explains as to how people make systematic errors in the way that they think: they are overconfident, they put too much weight on recent experience, etc. Their preferences may also create distortions. Behavioral finance believes that no study of investor behaviour can be complete without an attempt to understand the individual investors who as individuals may be too small a unit of the market but together they carry a lot of weight and tend to punch much above their weight.

FACTORS DETERMINING INVESTMENT ATTITUTDE AND BEHAVIOUR OF THE RETAIL INVESTORS

The theory of limited arbitrage explains the existence of mispricing mostly due to the actions of the irrational investors and the inability of rational investors to correct the mispricing. In order to explain these deviations, economists turn to the extensive experimental evidence compiled by cognitive psychologists on the systematic biases that arise when people form beliefs, and on people's preferences. Some of these factors are:

Heuristics

Heuristics, or rules of thumb, make decision-making easier. But they can sometimes lead to biases, especially when things change. These can lead to suboptimal investment decisions. When faced with N choices for how to invest retirement money, many people allocate using the 1/N rule. If there are three funds, one-third goes into each. If two are stock funds, two-thirds goes into equities. If one of the three is a stock fund, one-third goes into equities. Recently, Benartzi and Thaler (2001) have documented that many people follow the 1/N rule.

Overconfidence

Overconfidence is the tendency for people to over-estimate their knowledge, abilities and the precision of their information [Bhandari and Deaves,(2005)]. Studies have shown that people attribute higher values to their abilities than is warranted and this often leads to what is known as "self attribution bias" (Miller and Ross (1975)). Men tend to be more overconfident than women. Barber and Odean (2001) found that the more people traded, the worse they did, on average. And men traded more, and did worse than, women investors.

Mental Accounting

People sometimes separate decisions that should, in principle, be combined. For example someone who has invested in a Mutual Fund with Dividend option receives a dividend of say Rs. 5/- per unit and as consequence the price of the unit falls by the same amount. Will he see the two events as a combined entity which means there is not change in his wealth position or will he see the fall in price as a reduction in the value of his investment? Generally investors tend to think of the price adjustment consequent to a dividend announcement as a fall in value of his investment. The method by which individuals define and understand such problems is termed as "Mental Accounting" (Thaler, 1999). Mental accounting can explain why investors are likely to refrain from adjusting their reference point for a stock (Shefrin and Statman, 1985).

Framing

Framing is the notion that how a concept is presented to individuals matters. For example, restaurants may advertise "early-bird" specials or "after-theatre" discounts, but they never use peak-period "surcharges." They get more business if people feel they are getting a discount at off-peak times rather than paying a surcharge at peak periods, even if the prices are identical. Cognitive psychologists have documented that doctors make different recommendations if they see evidence that is presented as "survival probabilities" rather than "mortality rates," even though survival probabilities plus mortality rates add up to 100%.

Representativeness

People underweigh long-term averages. People tend to put too much weight on recent experience. This is sometimes known as the "law of small numbers." As an example, when equity returns have been high for many years (such as 2006-2008in India), many people begin to believe that high equity returns are "normal."

Conservatism

When things change, people tend to be slow to pick up on the changes. In other words, they anchor on the ways things have normally been. The conservatism bias is at war with the representativeness bias. When things change, people might underreact because of the conservatism bias. But if there is a long enough pattern, then they will adjust to it and possibly overreact, underweighting the long-term average.

Disposition effect

The disposition effect refers to the pattern that people avoid realizing paper losses and seek to realize paper gains. For example, if someone buys a stock at Rs.300 that then drops to Rs.220 before rising to Rs.280, most people do not want to sell until the stock gets to

above Rs.300. The disposition effect manifests itself in lots of small gains being realized, and few small losses. Research evidence shows that the disposition effect is substantial yet subject to variation across investors.

Anchoring

Anchoring refers to the decision making process where quantitative assessments are required and where these assessments will be influenced by suggestions. Kahneman and Tversky (1974) argue that when forming estimates, people often start with some initial, possibly arbitrary value, and then adjust away from it. Experimental evidence shows that the adjustment is often insufficient. Put differently, investors tend to give too much weightage to recent behaviour and discount long term trends. That is people "anchor" too much on the initial value.

Availability biases

When judging the probability of an event people are influenced by recent events that are easily retrievable or "available", to their memory. While this is a perfectly sensible procedure, it can produce biased estimates.

THE INTERRELATIONSHIP BETWEEN INVESTORS BEHAVIOUR AND CAPITAL MARKET DEVELOPMENT

The way the investors perceive the capital market goes a long way in determining not only the return or the stock prices, but also the future and growth of the capital market. Sentiment or the behaviour of the investors plays significant role in determining movements in prices, the rate of turnover in the stock market and its capitalization. In fact, the investor's outlook and sentimental behaviour have become an important determinant of stock market barometer. In this regard a pessimistic attitude may lead to contraction of liquidity, while optimism amongst the investor increases liquidity as well as volume of stock business trade. In offering a stock to the market, the psychology and perception of the would-be-investors come into play; indeed their sentiment determines whether an offer would be fully subscribed, under-subscribed or over subscribed, if under-subscribed, whether or not to extend the offer period.

Maynard Keynes: *"Markets can remain irrational a lot longer than you and I can remain solvent."*

Often capital markets are influenced by factors which is not linked to observed changes in macroeconomic bases or other fundamental bases, but it is only the result of the investors

behavior or other financial agent's behavior. This is often said to be caused by "irrational" behavior, such as financial panic, the effect of collective behavior (herd), loss of trust and increased aversion to risk. Assumptions behind the theories on the behavior of investors are often based on psychological research or common sense. However, clearly, the study of the behaviour or the development of financial markets could benefit of a more complete image, if it would be known how investors actually behave and how they react to the same information depending on the differences between them (behavior conduct). Generally, investors do not have a full picture of economic conditions since this affects their profits, for that to hold as much information about the market in which they are investing they have to spend more and thus their profits is likely to decrease. In part, this limitation reflects the cost of collecting and processing the information. Optimal planning for individuals and organizations depends primarily on the present and forecasted level (or computed based on past income) of income in aggregate stock market. Rapid changes in market prices could cause an incorrect allocation of resources which can be very expensive. While taking into account the fixed cost of collecting and processing information specific to each company, most of the small investors find it difficult to collect and process information specific to each company; in contrast, uninformed investors can find a less costly way and, therefore, more advantageous to follow the trading patterns of informed investors. Further, in making any economic decisions on investing in the share markets, uninformed investors take into account the portfolio decisions taken by better informed investors, because such decisions provide useful information on the market nature. Hence, both informed and uninformed investors tend to seek out new information from those investors who have acted before them to adjust their portfolios. However, if informed investors withdraw their capital held in a particular market, then information cascade affect less informed investors to disregard their own information and act in the same sense as informed investors, resulting in greater output of the capital market.

The tendency to follow a collective behavior increase as investor's number increases; therefore increase the fixed costs of collecting and processing information specific to each stock. Similarly, the increasing trend of collective behavior of investors is increasingly diverse and, hence, establishing a reputation in the market has become relatively more expensive. The investors are finding to be less expensive to follow "the herd"; because some investors, particularly fund managers are more concerned about maintaining a

reputation which depends on the performance of their portfolios in relation to a given portfolio of the market, rather than their absolute performance, risk of behavior cascade is particularly high among institutional investors. Thus, an individual institutional investor refrain from taking action first, even if market developments favor a new portfolio, for fear of losing good reputation if the decision would prove to be wrong. To be on the safe side, individual investors can follow the collective behavior. All these results imply a rational behavior (albeit limited), but which, however, can cause volatility in financial markets.

Many times the sophisticated investors are following momentum strategies based on impulse and get a superior performance, either because of momentum, taking the decisions before others, or because other superior investment features which they possess. Moreover, investors who are generally perceived as being naive or uninformed or uneducated (those who have lower profits) are adopting contrary trading strategies, perceived as abnormal (or that not take into account the financial theory), thereby obtain an inferior performance. This would be consistent with the assertion that the impulse is a behavioral abnormality in which "smart" investors take advantage of "naive" investors.

REVIEW OF LITERATURE

The assumption of rationality underlies most of the theoretical constructs making up modern economics. The basic assumption is that all human beings, when faced with a decision problem, act in a rational manner under all circumstances so as to maximize the intrinsic utility obtainable from the outcome of such decision. Arguing in this line of thinking, it is essential to make a detailed survey of the research works done and related to this area of share marketer's behaviour.

Samuelson (1965) stated that, "in an informationally efficient market price change must be unpredictable if they are properly anticipated by all market participants".

Fama (1970) has shown that "markets are frictionless without trading cost."

Le Roy (1973) and Lucas (1978) show that "stock returns are not completely random because of the trade-off between risk and expected return".

Grossman and Stieglitz (1980) argue that "perfectly efficient markets are impossible, because if markets are perfectly efficient there would be no need to gather information. Then there would be no trading and no markets. Because of this inefficiency of markets the profit opportunities arises, and the cost of trading and cost of information".

Leon Festinger (1956) states that "when two simultaneously held cognitions are inconsistent, this will produce a state of cognitive dissonance. Because the experience of dissonance is unpleasant, the person will strive to reduce it by changing their beliefs".

Tversky and Kahneman (1973) introduced the availability heuristic: "a judgmental heuristic in which a person evaluates the frequency of classes or the probability of events by availability." The reliance on the availability heuristic leads to systematic biases.

Tversky and Kahneman (1974) described Representativeness, Availability and Anchoring as heuristics that are employed when making judgments under uncertainty.

Kahneman and Tversky (1979) observed that "Expected utility theory is unable to explain the simultaneous attraction of individuals to both insurance and gambling".

Kahneman and Tversky (1979) showed empirically that "people underweight outcomes that are merely probable in comparison with outcomes that are obtained with certainty; also that people generally discard components that are shared by all prospects under consideration. According to them in prospect theory, value is assigned to gains and losses rather than to final assets; also probabilities are replaced by decision weights.

Thaler (1980) argues that "failure of economists to distinguish between normative models of consumer behaviour and descriptive or positive models leads to systematic, predictable errors in describing or forecasting consumer choices".

Herbert Simson (1957) observed that "Systemic, predictable differences between normative models of behavior and actual behavior occur due to Bounded Rationality"

Tversky and Kahneman (1981) showed that, "the psychological principles that govern the perception of decision problems and the evaluation of probabilities and outcomes produce predictable shifts of preference when the same problem is framed in different ways".

Bondt and Thaler (1985) discovered that "people systematically overreact to unexpected and dramatic news events results in substantial weak-form inefficiencies in the stock market".

Tversky and Kahneman (1986) argue that, due to framing and prospect theory, "the rational theory of choice does not provide an adequate foundation for a descriptive theory of decision making".

Samuelson and Zeckhauser (1988) found that "individuals exhibited significant status quo bias across a range of decisions".

Kahneman, Knetsch and Thaler (1990) have reported that "loss aversion and the endowment effect persist even in market settings with opportunities to learn and conclude that they are fundamental characteristics of preferences".

Tversky and Kahneman (1991) found that "losses and disadvantages have greater impact on preferences than gains and advantages".

Fernandez and Rodrik (1991) have shown how uncertainty regarding the identities of gainers and losers can lead to status quo bias.

Banerjee (1992) found that" people will be following what others are doing rather than using information they possess to arrive at a decision therefore the resulting equilibrium is inefficient".

Tversky and Kahneman (1992) predict that investors are "Risk aversion for gains and risk seeking for losses of high probability; Risk seeking for gains and risk aversion for losses of low probability".

Max-Neef(1992) show that "people may not mainly invest for higher returns, but also for striving to satisfy social and intellectual needs. Investors may even simultaneously satisfy multiple needs".

Lakonishok, Shleifer and Vishny (1994) conjecture that "value strategies yield higher returns because; these strategies exploit the suboptimal behaviour of the typical investor".

Benartzi and Thaler (1995) offer an explanation based on behavioural concepts "loss aversion combined with a prudent tendency to frequently monitor one's wealth causes combination myopic loss aversion".

Fisher and Statman (1997) found that "most - investors have preferences that go beyond expected returns and risk. They cite the investor preference for stocks of socially responsible companies as an example".

Csikszentmihalyi (1997) suggests the "stock trading may offer an investor so-called 'flow experiences'

Bikhchandani, Hirshleifer and Welch (1998) argue that the "theory of observational learning, and particularly of informational cascades, can help explain phenomena such as stock market crashes".

Fama(1998) claims that "apparent overreaction of stock prices to information is about as common as underreaction".

Odean (1998) tested and found evidence for the disposition effect, "the tendency of investors to sell winning investments too soon and hold losing investments for too long".

Daniel, Hirshleifer and Subrahmanyam (1998) propose that "investor overconfidence and biased self-attribution which leads to market under- and overreactions".

Wermers (1999) studied herding by mutual fund managers and found "the highest levels in trades of small stocks and in trading by growth-oriented funds".

Thaler (1999) summarizes the literature on mental accounting and concludes that "mental accounting influences choice, that is, it matters".

Odean (1999) demonstrates that "excessive trading volume in equity markets is due to overconfidence and disposition effect".

Barber and Odean (2001) found that "men trade 45 percent more than women and there by reduce their returns more so than do women and conclude that this is due to overconfidence".

Grinblatt and Keloharju (2001) identify the "determinants of buying and selling activity and find evidence that past returns, reference price effects, tax loss selling and the fact that investors are reluctant to realize losses are all determinants of trading".

Indian Income and Savings Survey (2006) revealed that, "investor choices and preferences are a product of many complex and interactive factors. Relative rates of return and risk appetites, while important, are the tip of the iceberg only".

Hoffman (2007) has studied the social dimensions of investor behavior. He has argued and empirically proved that "for many investors, investing is much more than simply weighting the risks and expected returns of all possible investments opportunities. Rather, besides financially oriented needs, some (or most) investors may also have more socially oriented needs, or they may simply consider investing to be a nice free time activity".

Guerrien and Gun (2011) state that many an attempts were made to study the serial correlation of security prices as well as to test the various trading strategies recommended by technical analysts to determine the investment value. It was found that the results were negative in both cases that is there was no significant correlation in the security prices neither was the recommendations of the technical analysts of much investment value. This shows that the markets were not always efficient and there was no perfect informational symmetry existing in the market. While the normal distributions of stock returns have been contradicted in previous studies there is no evidence of a plausible explanation of the type of distribution exhibited by the stock returns. On several occasions, stable Paretian distribution and Student t-distribution have been found to be better approximations than the normal distribution.

Merli and Roger (2012) highlight the role played by individuals attributes they demonstrate that the level of individual herding depends on the "investor sophistication degree (trading derivative assets, for instance)". Furthermore, based on a dynamic panel data analysis, they show a link between investors' portfolio performance and herding behaviour.

Chandra & Kumar (2011) in an unpublished paper titled "Determinants of Individual Investor Behaviour: An Orthogonal Linear Transformation Approach" collected survey responses and used univariate and multivariate analysis to reveal the five underlying psychological axes that drive the Indian individual investor behaviour. These five pertinent axes were named as prudence and precautious attitude, conservatism, under confidence, informational asymmetry, and financial addiction.

Shaikh& Kalkundarikar (2011) analyzed the Retail Investor's Behaviour in Belgaum District of Karnataka State and found that the level of investment knowledge significantly leverages the returns on the investments. They observed that 0.096 point change in knowledge boosts investors return expectation by 1 point. Investors with extensive investment knowledge have multifold expectation of return in comparison to other knowledge categories and the correlation analysis between the occupations of investor and the level of risk assume showed a negative correlation between these two variables, their analysis show that a 1 point change in occupation leads to negative change of 0.053 in the level of risk taken by the investors.

Methodology of the study

Need for the study

It is very clear from the review of literature that most of the studies on investor behaviour has focused on financial data provided by the stock indices and other investment indicators very few studies have focused exclusively to study the perceptions, preferences, attitude and behaviour of the retail investors, a very crucial area in the formulation of policies and procedures for the orderly growth and development of capital markets in any nation. The study of retail investor, which is the only surplus sector of the economy, has implications for the financial development of the economy, fund managers, issuing companies and the marketers. We have very little information on the profile of retail investors, not only on their sheer numbers, but also of their objectives and motivation of investing as also the frequency of their trading. Without authentic data on retail participation in the capital market, there will not be a clear picture about the preference, attitude, risk perception and behaviour of retail investors. Therefore it becomes all the more important to study and analyze the investor preference, investment behaviour and risk profile. This may help the policy makers in evolving suitable strategies to get retail investors into the capital market operation. Hence, the

present investigation is an attempt in that direction. The issues investigated in the present study include awareness of Investment Avenue, investment behaviour, objectives and motivation as also the risk attitude and risk perception of the retail investors.

Statement of the problem

It is evident from the review of literature relevant to the research issues that the retail investors constitute a vital segment of the Indian capital market. The behaviour of these investors' is very vital in the policy formulation as well as on development and regulation of the capital markets. The relationship between various cognitive, socio-economic, demographic and behaviour factors and investment behaviour of the individual investors has been studied by researchers but a majority of these studies were conducted in the developed world particularly the United states of America, Canada and Europe. A limited number of studies have focused on the Asian investor even in Asia the focus has been on China and Japan. Thus here is a need to understand the individual retail investor in the Indian context. Despite the growing interests of researchers in this upcoming and relatively new stream popularly known as behavioural economics, very few studies in India have been undertaken with reference to the behaviour of retail investors. Individual investors are said to be influenced by sociological, demographic and psychological factors. These factors tend to affect their behaviour in financial decision making and subsequently their investment behaviour in capital market.

The present study represents an attempt to investigate the factors influencing individual retail investor attitude and behaviour in Indian Capital Market. An important factor determining the need to study the individual retail investor is that most of the studies have focused their attention on the institutional investor rather than the individual investor. Hence, in the current research work, an attempt is made to study the impact of the socio-economic and demographic profile of the retail investors of Mangalore on investment behaviour. The present research work also provides a foundation of facts relating investors' behaviour towards various types of instruments and assessment of investment risk. It is very important for the investors to know their risk appetite and investment objectives for better decision-making. The preceding discussions coupled with an extensive literature review help to identify the following research gaps:

i. Identifying and confirmation the awareness level of retail investors regarding various investment avenues of investment

ii. Examination of the extent to which Indian individual investors perceptions of the investment avenues tend to be influenced by their objectives and motives of investment;

iii. Understanding the individual investor behaviour may further lead to development of better risk assessment of the investors which will in turn aid development of better balanced financial instrument for investment.

Objectives of the study

The framework of this study requires clear definitions in critical realist terms of the objects of analysis. The formal research objectives will help to fill the gaps identified from the detailed literature review. The present study bases its analysis with following objectives:

1. To study the demographic profile of retail investors in the study area and assess their impact on the awareness, attitude and experience of retail investors in respect of various investment avenues.
2. To study the investors objectives, perceptions and the resultant behavior of the investors
3. To examine and study the determinants of investment behavior as well as risk perception and attitude of the retail investors in the study area.
4. To offer suitable suggestions in evolving better practices to protect the interests of retail investors.

The study of the factors influencing the attitude and behaviour of retail investors is important as it helps to understand how investors respond to market dynamics and help them devise appropriate investment portfolio. The present study examines the factors that appear to exercise the greatest influence on the investor attitude and behaviour. The study investigates the influence of demographic factors, objectives, experience and risk on investors' awareness, preferences and behaviour.

Hypotheses

The hypotheses of the study are:

H_1: There is a significant difference in the awareness of investment avenues of investors due to their demographic characteristics.

H_2: The demographic characteristics have a significant influence on the investor's preference for various investment avenues in the Capital markets.

H_3 : There is a significant difference between the present and future investment preference of the retail investors based on their objectives of investment.

H_4 : There is a significant difference between the investor satisfaction among the retail investors based on their investment experience.

H_5: There is a significant influence of gender and age on investors motives for investment.

H_6: There is a significant relation between monitoring behaviour and trading activity of the individual investors

H_7: Investors risk perception and attitude is significantly influenced by their demographic characteristics.

Profile of the study area and data sources

Mangalore City Corporation is taken for the study purpose because Mangalore City Corporation area is a growing urban city area. It is a centre of business attraction of different types. The people of Mangalore .are inclined to take up new initiatives and ventures. It has a tradition of banking and is often referred to as cradle of banking industry. The Mangalore stock exchange (MgSE) was started in the year 1984 as a public limited company and got recognized by the Central Government of India under the Securities Contracts (Regulation) Act, 1958. However on August 21, 2004, Securities Exchange Board of India de-recognised the Mangalore Stock Exchange. The de recognition of stock exchange has not affected the trading habit as technology has enabled online trading in Mangalore. In fact Mangalore is a major hub of online trading and all major brokering houses of India have an office here. Many of the brokers are today members of National Stock Exchange, Bombay Stock Exchange and the commodities exchange which are the dominant exchanges in India today. Most of the regional exchanges have lost relevance as technology has enabled people to trade irrespective of any geographical barriers.

The Securities Exchange Board of India has mandated that for individual Indian citizens to trade in listed stocks or debentures only in electronic form rather than paper. The electronic form is referred to as "demat"(dematerialized) account. In a demat account, shares and securities are held electronically instead of the investor taking physical possession of certificates. A demat account is opened by the investor while registering with an investment broker (or sub-broker). The demat account number is quoted for all transactions to enable electronic settlements of trades to take place. The number of demat accounts in India according to the Indian Equity Investors Survey is around 1.8 percentage of the population. Therefore the number of demat account holder in Mangalore City Corporation area is around 10000 given that the population of the city corporation area as per census data of 2001 is 398745. A demat account has to be opened with a depository participant. A depository participant is a institution holding a pool of pre-verified shares held in electronic mode that offers efficient settlement of transactions. A Depository Participant (DP) is an intermediary between the investor and the depository. A DP is typically a financial organization like a bank, broker, financial institution, or custodian acting as an agent of the depository to make its services available to the investors. Each DP is assigned a unique identification number known as DP-ID. The number of DP participants in Mangalore is around 40 as of March 2010.

Data Sources

Present study is mainly based on primary data and is behavioral in nature. However, secondary data is also used at places wherever it is required particularly regarding the various policy initiatives by the government, RBI and the market regulator SEBI. The primary data is collected through a structured questionnaire. The questionnaire is designed keeping in mind the objectives of present research work and it is pre-tested by means of a pilot study. In the questionnaire are included simple and direct questions in order to avoid any confusion on the part of the respondents; The survey questionnaire consists of four parts, one each for investor profile, investor awareness, investor behaviour and risk attitude. Investor profile seeks respondent's response to questions about their age, gender, marital status, education and annual income. This information will help to draw some conclusion on the basis of demographic profile of investor respondents. Second segment, i.e., investor awareness, attitude and experience includes questions covering awareness of various investor avenues, objectives and preferences for these avenues their attitude towards investment in these

instruments and their experience as well as satisfaction with existing investments. Third segment deals with investor behaviour and seeks answers about the motives of investment, strategy of investment, monitoring behaviour and sources of information. Whereas the fourth segment deals with risk assessment in terms of the risk attitude and risk preference of the retail investors in the study.

In the survey instrument, investor profile segment needs personal and demographic details of the respondents; but next three segments on investor awareness, behaviour and risk assessment a mix of ranking and five point Likert scale was used. The sample respondents were given different statements to which they were asked to mark their response in a range from 1 (Strongly disagree) to 5 (strongly agree). The ranking were in the descending order of preferences for various investment avenues or strategies.

The relevant secondary data is gathered from the reports, books, journal, periodicals, dailies and magazines, and websites. The data and the information collected with the help of schedule are processed and analyzed using SPSS software.

Sampling Design

The universe of the study comprises of all the investors in the Mangalore City Corporation limits. Since demat account is a regulatory requirement for participation in the capital markets the study has defined the investor as any resident of Mangalore City Corporation area who has a demat account with one of the two registered depositories namely National Securities Depository Limited and Central Depository Services (India) Limited. An investor with a demat account and living in Mangalore is considered as a sampling unit. Since the population of Mangalore City Corporation is 398745 as per 2001 census and the total number of demat account holders were 7000. These 7000 demat accounts are held in the 40 depository participants operating in Mangalore city corporation area. Out of the 40 depository participants 10 were randomly selected and 45 respondents from each were again selected on a random basis. The data in table 2 shows the distribution of sample respondents from the various depository participants.

Table 2: Distribution of Sample Respondents-Depository Participants

Depository Participants	Number of Respondents	Percent
State Bank of India	45	11.25
Corporation Bank	35	8.75
ICICI Bank	40	10
HDFC Bank	45	11.25
Geojit	35	8.75
ShareKhan	38	9.5
India Bulls	38	9.5
Angel Brokering	42	10.5
Edelweiss	40	10
Arcadia Brokering Services	42	10.5
Total	**400**	**100**

Source: Field Survey

Tools of Analysis

The statistical tools used to carryout the analysis of the collated data were the mean scores, frequencies and percentages. The nature of distribution of the variables examined in the study could be assessed from mean scores and standard deviations of the same. For selected variables, based on the scores given by the respondents, ranks are also awarded in order to know their level of significance in the decision process. Independent sample mean t test, ANOVAs and factor analysis have also been used to establish the relationship between variables.

Scope and limitations of the study

The present study aims at analyzing the investment behaviour of individual investors with special reference to Mangalore City Corporation of Karnataka. Hence, the scope of the present study is confined to the stud of perceptions, preferences and behaviour of retail investors in Mangalore City Corporation. A study of this kind which is essentially based on primary data would have its own limitations and the present study is not an exception. The investors are normally reluctant to part with information relating to their personal financial decisions. Instilling confidence and stressing the academic nature of the study did to some extend reduce the reservation of the respondents and the objectives of the study was not adversely effected. Being a micro study, it suffers from inherent limitations like nature of investor's personal bias. The geographical area concerning this empirical study was confined only to Mangalore City Corporation area. Further, the findings and conclusions of this study may not generalize because the investor's behavior towards investing in share markets is influenced by different conditions and circumstances. Finally, the study provides ample insight and policy implications. It also enhances the various dimensions of investors' behavior, significantly contributing the existing literature in this area of investigation of immense importance.

CHAPTERISATION SCHEME

This study is mainly based on the primary data and exploratory in nature. The objective of the study is to have a comprehensive understanding of perceptions, preferences and behaviour of retail investors. A brief outline of the different chapter is presented below.

Chapter-I: Introduction

This chapter is introductory in nature and it deals with the role of investment culture in development of capital markets. The chapter also covers various aspects like the role of capital market in financial system; the need to monitor the markets and the regulatory aspects introduced to protect the investors in general and small investors in particular.

Chapter-II: Review of literature, objectives, hypothesis and methodology

The second chapter starts with a review of the work done on understanding investor behaviour from a standard financial economics perspective followed by developments in behavioural finance. Later we survey some of the studies on Indian investor attitude, preferences and behaviour the review of literature then leads to the identification of the need and objectives of the study, the methodology used to collect the necessary data and its analysis , sample design and the Scope and limitations of the study are also discussed.

Chapter-III: The demographic profile of retail investors and its impact on their awareness of investment avenues

The third chapter provides a backdrop to the current research through a brief presentation of the socio-economic and demographic elements in the city of Mangalore as also the socio-economic and demographic characteristics of the retail investors of Mangalore. This has helped us to trace out the influence and impact of socio-economic and demographic factors on the attitudes and behavior of the retail investors in the capital markets. Thus this chapter is organized into three parts: Part I deals with the socio-economic and demographic aspects of Mangalore City, Part II deals with demographic profile of the sample retail investors and Part III deals with the impact of demographic factors on awareness of the retail investors about various investment avenues.

Chapter-IV: Investor Objectives and Perception

The fourth chapter dwells into the investor objectives and the factors influencing the investor awareness and preferences, and attempts to identify and establish the relation between various factors influencing the investor and investor perceptions. The objectives for making investments are many and varied and differ from individual to individual. The most common objectives are i. Safety of savings ii. To improve financial status iii. Liquidity of savings iv. Savings taxes v. Capital appreciation and vi. Diversification of portfolio. The investors usually look for investment opportunities wherein the returns are commensurate with the risk that they are willing to take. It has been established that investor's investment objectives are a function of their personal characteristics' like age, income, sex, occupation, education and experience.

Chapter-V: Risk and Investment Behaviour

The fifth chapter presents the details of the study and analyses of the behaviour of retail investors in terms of their motives of investment, investment strategies adopted, factors influencing the investment decisions (nature and monitoring) and the risk perceptions of various investments and the risk attitudes of the retail investor. For this purpose, the sample investors were asked, a number of questions relating to the various aspects stated above and their responses to such questions were analyzed

Chapter- VI: Summary and Conclusion

The last and final chapter presents the summary and conclusions of this research which was to determine the attitude and behavior of the retail investors in capital market particularly in

reference to the retail investors residing in Mangalore City Corporation area. In order to understand investor behaviour the study investigates the investor awareness of retail investors regarding various investment avenues, their investor preference their experience and risk attitude. These factors which influence the investor behaviour is further analysed on the basis of gender, age, marital status, occupation, education and experience with investment activities emerging from the research study.

MAJOR FINDINGS, CONCLUSION AND SUGGESTIONS

FIELD BASED FINDINGS (PRIMARY)

1. The relation between age of the investor and investment behaviour is important in determining the objectives and consequently tends to influence his choice. that majority of the sample respondents chosen for the study are in the age-groups of 31 to 40 years (36 percent), below 30 years (34.2 percent) and 21.8 percent of the respondents are in the age group of 41 to 50 years. The study throws light on the fact that investors are most active during their earlier earning years through to their middle ages when their earning capacity is the maximum and they are likely to take greater risks.
2. The gender of the investor is an important variable as previous studies have shown that women tend to be conservative in their willingness to take risk and as a consequence they tend to earn much lesser compared to male investors. In the study shows that 58 percent of the respondents were male and 42 percent were women. This is in keeping with findings in previous literature where women are comparatively less involved in activities involving decisions under conditions of uncertainty. Similarly the women investors in India are constrained by socio-economic and religious factors; hence the presence of greater percentage of men in the study is representative of the characteristics of the respondent investors.
3. The marital status of investors has been studied in literature as a determining factor in influencing investment behaviour. There have been evidence that single men tend to be greater risk taker in comparison to married men and it has been linked to evolutionary sociology where the need to look for mates in future tend to make single male more risk taking. This interpretation would be consistent with the large experimental psychology literature that documents greater risk-taking by subjects confronted with situations suggestive of mating or competing for mates (at least among males – Baker and Maner (2008)).

4. In the present study it was found that 60 percent of the respondents were married and 40 percent were single. It is because marriage brings in certain responsibilities and induces financial constraints which in turn are reflected in their investment motives and preferences. Out of the married respondents male respondents were 55 percent, female respondents were 45 percent. In the case of unmarried respondents female respondents were 38.75 and 61.25 were male.
5. The education level of the investors is an important factor that determines the attitude and behaviour of the investors. Investors with lesser education levels tend to be ignorant of the opportunities offered by the capital market. Often their attitude is to look at the capital market as a lottery to make some easy money which unfortunately is not true. To study the impact of educational levels of investors on investor attitude and behaviour, the sample respondents where grouped in to four categories based on their qualifications, namely postgraduate, Graduate, PUC and SSLC. The data shows that majority of the respondents (46.8%) are graduates or post graduates (45.5) underlying the fact that education levels do influence the attitude towards investments in the capital markets.
6. The occupation of the investor is a major contributor to his investment decisions as it has a direct impact on the income, savings capacity and the objectives of investment. For the purpose of analyzing the impact of occupation on investor attitude and behaviour the sample investors have been classified into three categories based on their occupation, namely, self employed persons consisting of professionals like doctors, chartered accountants and businessmen, salaried individuals and retired persons. The present study has an overwhelming majority of respondents who are salaried (272) while the self employed respondents where 122 which translates to 30.5 percent of the total respondents and retired were only 1.5 percent.
7. Income of the investors has been shown in previous studies to be directly affecting the type of investment risk they are willing to take. Thus we need to analyse its role in determining investor attitudes and preferences. The respondents have an income ranging from 20001 to 30000, while 23.8 percent had income in the range of 10001-20000, 13.5 percent had income in the range of 30001 – 40000, while 8.5 percent had income between 41000 to 50000 while 7.2 percent of the respondents earned between 50001 to 60000. Income is one of the factors which play a vial role in

influencing the investment pattern investment behaviour and investment decisions of investors.

8. The analysis of data indicate that the investors in Mangalore are quite aware of the various avenues of investment like equity shares, preference shares, debenture, derivatives, mutual funds, ULIP and bullion.
9. Further the study shows that clear from the above observations that people in the study area of Mangalore have a marked preference for Mutual funds as it is ranked first in awareness followed by equity at second rank, followed by debentures/bonds, preference shares, at third and fourth rank, corporate deposits at fifth, Bullion at sixth rank, Derivatives at seventh rank and ULIP at eighth rank. The ranking of ULIP at eighth is a surprising result as the sample respondents have a indicated a balanced approach to investments as they have balanced risk, equity and debt in their portfolio.
10. The data indicates that the awareness level of investment avenues is much more among the Middle Aged. Youngsters tend to be aware of instruments of higher risk while in the older group the preference is for long term stable instruments. It indicates that at higher age levels the preference is for stability than high risk instruments with uncertain returns.
11. A one way ANOVA was used to test if there is a significant difference in the awareness of investment avenues among investors with different age groups and the statistical significance was established. It was found that in the case of individual investment avenues the significant difference was pronounced between those below 40 years and those above 40 years, in particular the difference was very significant for those in 51-60 years age group. Thus younger investors are more aware of investment opportunities in comparison to older investors particularly in the case of risky investments like equity, preference and derivatives.
12. In order to access the impact of gender in determining the awareness of investors an ANOVA was conducted. The results show that the difference in awareness level due to gender is significant in the case of investment avenues like corporate deposit, mutual funds, debentures and preference shares. At the same time it was found that the difference is not statistically significant in case of equity shares, derivatives, ULIP and bullion. Thus we find that we have to reject the hypothesis that the difference in awareness due to gender is significant.

13. An examination of the above table shows that married investors who reported high awareness levels ranked mutual funds, equity, ULIP as their top avenues while single investors also ranked mutual funds, Equity, debentures, Corporate deposits and ULIP as their top avenues. Thus the there is no significant difference in awareness level due to marital status. However a closer look shows that married investors tend to be more conservative as they have more awareness of avenues like bullion. An Anova of the difference in awareness of various investment avenues among the married and unmarried respondents helps to understand the fact that the difference is significant only in the case of two investment avenues namely ULIP and bullion. In the case of all other investment avenues the difference are not significant. Thus we conclude that there is no significant difference between married and unmarried investors awareness of investment avenues
14. The one-way ANOVA conducted to test the existence of significant difference in awareness level due to educational qualifications show that the difference is indeed significant. This indicates that education has a direct bearing on awareness of investment avenues.
15. A close scrutiny of the results of the one way Anova reveal that the awareness level of the sample investors vary significantly with their income. The data shows that there is a significant difference in all avenues except in the case of ULIP where the income seems not to affect the awareness levels.
16. A one-way analysis of variance confirms the hypothesis that there is a significant difference in preference due to the age of the respondent. It was further found that the difference was significant in the case of the entire instrument except ULIP and equity shares. Thus we confirm the finding in previous literature where age has been a major element in determining investors' preference for a particular kind of investment instrument. Age does not have a strong influence on preference for equity shares which means that irrespective of the age of the respondents the preferences are same they all consider equity to be a relatively risky instrument with potential for higher gains. Similarly ULIP as an investment avenue is preferred across age as a safe avenue.
17. In order to understand the relationship between the income of an investor and his investor preference the investor's preference for the various investment avenues was compared on the basis of their income. The preference indicated by the different

income group was multiplied by their preferential rank allotted by the investors. The results reveal that the investors ranked mutual fund as the first, equity second, ULIP at third rank, debentures at fourth rank, preference shares was ranked fifth, derivatives sixth and bullion at eighth rank.

18. An investigation of ranks allotted does not reveal much difference between the investor preferences for various avenues but a one-way Anova conducted to determine the difference between the investor preferences reveal that there is a significant difference between the investor preferences of the retail investors based on their income.
19. Overall there is not much difference between the investment preferences of the sample respondents due to their occupation even a one-way Anova reveal that there is no significant difference between the preferences of people who are salaried, self employed and retired. But significant difference is noted in the case of preference for derivatives and debentures/bonds. Here we find that the mean difference between the various groups is 12.21 and 31.53. We find that in the case of debentures the salaried respondents had a higher mean preference compared to retired respondent similarly in the case of derivatives self employed respondents had a higher mean preference than respondents in other occupations. This is because salaried people tend to invest more in government bonds and debentures as it helps to save taxes deducted at source while in the case of derivatives self employed people are entrepreneurs with an appetite for risk and hence they are more willing to invest in a high risk instrument like derivative. Overall we find that there is no significant difference between the investor preferences of the retail investors based on their occupation.
20. The study reveals that there is not much difference between the post-graduates and Graduates while it comes to the preference for various avenues. On the other hand there is a quite a strong difference between the respondents whose education level was PUC and SSLC. Thus there is a similarity between the preference of those who have had college education compared to those whose education is at PUC or SSLC level, a further analysis of the data using ANOVA and post hoc comparison reveal that there is a statistically significant difference in the investor preferences due to their level of education**.** These results confirmed conclusions from other researchers who have found that individuals who have less than a college degree were less likely to hold risky assets such as stocks, compared to individuals with at least a college

degree (e.g., Haliassos & Bertaut, 1995; Sung &Hanna, 1996b; Zhong & Xiao, 1995). Thus education seems to encourage risk taking, because increased levels of education allows individuals to assess risks and benefits more carefully than someone with less education**.**

21. A weighted score of the respondents' preference was obtained by multiplying the highest preference with 8, second highest preference by 7 and so on. The resultant weighted score is used to rank preferences of male and female respondents. Thus we find that mutual funds are ranked number one by male and female respondents in the study, while equity was ranked second by both male and female respondents, male respondents ranked debentures/bonds at third position while female respondents ranked it at fourth. ULIP were ranked third by female respondents while male respondents ranked it fourth. In the case of preference shares both category ranked at fifth position, male respondent ranked corporate deposits at seventh position and bullion at eighth while for female respondent it was Bullion at seventh and corporate deposits at eighth position. An analysis of the ranking show that unlike what literature suggest there is not much difference between male and female investor in terms of their preference of investment avenues. The findings were confirmed by an independent sample t-test which revealed that there is no significant difference between the investor preferences of the retail investors based on their genders.
22. The weighted score of the investment avenues chosen by married and unmarried respondents reveal that married investors ranked mutual funds as their first preference while unmarried investors ranked it at second position. In equity shares married investors assigned second preference while for unmarried investors the rank is three. Debentures are ranked third by married investors and fourth by unmarried investors, for derivatives the ranks are same i.e. sixth. For preference shares the rank was fifth for married but first for unmarried investors. Thus we find that the ranks to indicate minor variances. To further clarify the effect of investors marital status an independent sample t test was conducted the test confirmed that the independent sample t test reveal that significant difference exists only in the case of debentures and corporate deposits in all other investment avenues there is no significant difference between married and unmarried investors.
23. To ascertain the investment objectives influencing the investor preferences and their investment behavior, sample investors are asked to indicate their choice for various

investment objectives in the descending order of their preference. For this purposes six objectives such as safety, liquidity and Marketability, Income, Capital Appreciation, Tax benefits and Diversification of portfolio were placed before them. To test whether the experience of the investor influences their level of satisfaction with their investments the following hypothesis was tested.

24. A one-way Anova and post-hoc comparison confirm the hypothesis that investment experience has a significant impact on investors' satisfaction levels. The satisfaction level of the respondents and their experience was statistically significant in the case of equity shares, preference shares, debentures/bonds, derivatives, mutual funds, corporate deposit, bullion and ULIP. It was found there was a statistically significant difference between respondents whose investment experience is only since 1 year and those with greater than 10 years of experience, those with 3-5 years and 5-10 years experience also had also indicated difference in satisfaction levels. Thus we find that one's satisfaction with investments tend to vary with experience as more mature investors get better understanding of the dynamics of investing and the period of the their investment might have helped them to have a better results than those who have been invested in the market for a shorter period of time.
25. It is found that on an average the investors agree with the proportion that they invest because of the potential for financial gain. But most respondents were non committal on saving tax as a motive for investment. The responses indicate that retirement goals and securing the children's future figure prominently in the investor's motivation of investment. motive The need to analyze problems, look for new constructs and learn did not find much support among the respondents The available data also reveal that the average of investors who agree that they seek the approval of others is significant. Similarly those who described their motive were to have a nice free time activity were less. This is on expected lines as the social and other motives of investment is not very well articulated or expressed by investors in Indian context. The need for affiliation is also a major motive for investors in the study area.
26. A factor analysis was conducted to identify the existence of a smaller number of underlying and more general types of motives for investments. The factor analysis helped us to identify the first factor as social motives which included five items to participate in investment related conversations, identify with others, people approve of stocks that I buy, to affiliate with other investors and as a free time activity. The

second factor was security motives with three items namely education and marriage, analyse problems and save taxes. The third factor was financial motives with two items that is financial gain and to safeguard retirement. The consistency of the scale was tested using Cronbach's alpha. For Cronbach's alpha, a value of 0.62 was found.

27. In order to determine the relation between monitoring behaviour of the individual investor and recent trading activity, a comparison was made between the monitoring behaviour of the sample respondents and their investments in the last one year. This was done to determine whether the monitoring behaviour has an impact on the trading activity of the individual investors. It is expected that the monitoring behaviour should have an impact as people who are closely watching the performance of their investments tends to be proactive in their trading behaviour at the same time over monitoring might lead to hasty decisions.
28. A Pearson Chi-square test was run to determine the significance of relation between monitoring behaviour and trading activity of the individual investors the test statistics [$X^2_{(df=9,95\%\ CI)}$= 40.569, p=.000] show that there is a significant relation between the monitoring behaviour and trading activity of the sample respondents.
29. The above data leads us to conclude that there exist no significant difference between the investors risk perception due to demographic factors like age, gender, experience and marital status. Thus we have to reject the hypothesis.

Conclusions

The important conclusions derived from the study explained as below:

a. The socio-economic profile and demographic profile of Mangalore is at variance with the national average as Mangalore has a significantly higher literacy rates, the coastal city has a tradition of trading and business entrepreneurship hence they are generally more aware of investments in the capital market. This is not necessarily the case across India hence a generalization to the broader Indian population may not be possible unless the above variations are factored in.

b. The study shows that the attitude and behaviour of the retail investors can be explained as a function of investor awareness, investor preference, and investor experience and risk attitude. Investor awareness of various investment avenues is essential to fully appreciate opportunities and associated risks, take informed decisions. The statistical analysis of the data collected shows that there was

significant influence of age, educational qualification and income on awareness of the investors about various investment avenues.

c. The study also shows that demographic factors like Age, income, occupation, education have a significant influence on investor's preference for various avenues. It was found that the actual behaviour of the investors was influenced by their stated objective of investment. The study also finds that the satisfaction of investors with their investments is related to their investment experience.

d. The analysis shows that except in the case of saving taxes in all other motives for investment there is statistically significant difference between various respondents. We find that the effect of gender in determining the motives of investment are not very pronounced as it was found that in general the investors male and female investors exhibited similar motives for investment. Factor analysis reveal that the investors' motives are of three types' namely social motives, security motives and financial motives.

e. The study reveals that the retail investors of Mangalore city have a good understanding of the various avenues of investment and the risk associated with it. They have shown a willingness to invest in most instruments other than derivatives which they consider to be unsafe. It is quite wise as financially engineered products like "Derivatives" are quite complex and difficult to understand; moreover its prominence in world finance is also under attack due to the recent global financial turmoil.

f. There is a significant influence of investment experience on risk attitude as we find that the gender, marital status and age of the respondents do not influence the investors attitude to risk. It was found that the less experienced investors tend to ignore the possibility of erosion of their investment value due to inflation probably because it is not explicitly evident till much later. The impact of inflation is real as the real value of the investment portfolio comes down so when planning for a long term financial goal there is a need to keep the risk of inflation in focus.

Suggestions

i. There is a increase in the number of people looking at the capital market as an investment avenue. There is a need to educate these vast numbers of new investors particularly the middle class about the risk associated with investments in the capital markets by providing right information and knowledge about the investment instruments.

ii. There is a need to initiate steps to improve corporate governance norms so that the retail investors can be protected and given confidence to participate in the capital market with greater confidence.

iii. Today the retail investors are flooded with information from the various market participants but most of the investors have limited knowledge of reading the financial documents presented to them. There is an urgent need to provide this information in a simpler and lay man terms.

iv. SEBI should further strengthen the investor grievance redressal mechanism by establishing time bound grievance redressal programme.

v. The book building method of Initial Public Offer has impacted the ability of the retail investors to participate in the market. The price manipulations before an Initial Public Offer are a real problem and need to be addressed immediately.

Recommendations for Future Research

The following recommendations are suggested for future research in the field of investor attitude and behaviour. These recommendations are based on the results of this study.

i. Replicate the study using the larger nation wide sampling so that the potential for generalization of the study can be statistically established with a larger sample base.

ii. Replicate the study using only demographic characteristics found to be statistically significant in influencing attitude, preference and behaviour. Future research should use education, gender, self-employment status, and income as classification factors. Use of these demographic characteristics may lead to major improvements in understanding investor behaviour.

iii. Future empirical tests of investor risk attitudes and preferences also should include longitudinal studies. Previous research has tended to rely on cross-sectional assessments.

iv. Future research should explore the reasons why certain demographics are or are not effective factors in differentiating among levels of awareness, preferences, perceptions, risk attitudes and behaviour.

v. This study has reported only on the results of a quantitative test, and the results presented provide only a brief explanation how various factors like demographics, psychology and sociology effect individual investment behaviour. Qualitative methods would be an ideal way to examine the underlying reasons that make certain characteristics effective in differentiating and classifying factors.

vi. Future research should look into the relationship between investment behaviour and social styles of the individual investor.

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